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| **Chapter 15: Retailing** | |
|  | **Learning Objectives:** |
|  | *Upon completion of this unit the learner should be able to:*   1. Identify retailers in terms of the utilities they provide. 2. Explain the alternative ways to classify retail outlets. 3. Understand the many methods of non-store retailing 4. Classify retailers in terms of the retail positioning matrix 5. Develop retailing mix strategies over the life cycle of a retail store. |
|  | **Overview of this Unit** |
|  | Retailing includes all activities of selling, renting and providing goods and services to consumers. Next to advertising, retailing is the most visible form of marketing. |

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| **Definition of Retailing** |
| Buy ***Retailing*** includes:   |  |  | | --- | --- | | Bullet | All activities involved in selling, renting, and providing goods and services to the ultimate customers for personal, family or household use. | | Bullet | In the channel of distribution, retailing is where the customer meets the product.  It is through retailing that exchange occurs. |   **Retailing Creates Value**  Utilities provided by retailers create value for customers. Time, place, possession and form utilities are offered by most retailers. |

**MR2100 Marketing II - Unit 8.  Retailing -    Which Company Best Represents Which Utilities?**

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| **Which Company Best Represents Which Utilities?** |
| |  |  | | --- | --- | | **Royal Bank**  [www.rbcroyalbank.com](http://www.rbcroyalbank.com/) | One of the leaders in automated baking, the Royal Bank provides customers with convenience and 24 hour access to their banking services. | | **Saturn**  [www.saturn.com](http://www.saturn.com/saturn/SaturnIndex.jsp) | Saturn dealers have adopted a one-price strategy that eliminates the need for negotiating.  Instead all customers are offered the same price.  Test drives, financing, trade-ins and leasing are all offered to encourage customers to purchase a Saturn. | | **Levi Strauss**  [www.levi.com](http://www.levi.com/) | Levi Strauss & Co. now offers the Levi's Original Spin program which allows customers to create their own jeans by selecting from three models, five leg types, two flys, and may other colour and fabric options.  The jeans are delivered in two to three weeks for $55. | | **Toys "R" Us**  [www.toysrus.ca](http://www.toysrus.ca/) | A distinctive toy store with a backwards R, this company is what every kid dreams about.  Walking into a Toys "R" Us store is like living under a Christmas tree.  Unlike most stores, which reduce their space allotted to toys after the holiday season, a huge selection of toys is always available at Toys "R" Us. |   **Can You Match Them?**  **Time                           Place                            Possession                          Form** |

**MR2100 Marketing II - Unit 8.  Retailing -    Global Economic Impact of Retailing**

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| **Global Economic Impact of Retailing** |
| |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/bullet3.gif | Retailing is important to the Canadian and global economies. | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/bullet3.gif | Retail sales in Canada were estimated at $250 billion in 2000. | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/bullet3.gif | The retail sector employs over 1.8 million people in Canada, approximately 15% of the total employed labour force. | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/bullet3.gif | Walmart has over 1000 stores outside the US, including joint ventures in China and Korea. | |

**MR2100 Marketing II - Unit 8.  Retailing -    Classifying Retail Outlets**

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| **Classifying Retail Outlets** |
| Retail outlets can be classified in several ways:   1. *Form of Ownership* - who owns the outlet 2. *Level of Service* - the degree of service provided to the customer 3. *Merchandise Line* - how many different types of products a store carries and in what assortment.  |  |  | | --- | --- | | **Method of Classification** | **Description of Retail Outlet** | | *Form of Ownership* | * Independent retailer * Corporate Chain * Contractual system   + Retailer-sponsored cooperative   + Wholesaler-sponsored voluntary chain   + Franchise | | *Level of Service* | * Self-service * Limited Service * Full-service | | *Merchandise line* | * Depth   + Single line   + Limited line * Breadth   + General merchandise   + Scrambled merchandise | |

**MR2100 Marketing II - Unit 8.  Retailing -    The Possibilities and Costs of Franchising**

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| **The Possibilities and Costs of Franchising** |
| |  |  |  |  | | --- | --- | --- | --- | | **Franchise** | **Type of Business** | **Total Start-up Costs** | **Number of Franchises** | | McDonald's | Fast food restaurant | $385,000-$525,000 | 19,5000 | | Merry Maids | Cleaning service | $27,500-$40,500 | 700 | | Jiffy Lube | Automobile fluid service | $208,000-$229,000 | 667 | | Duds 'N Suds | Laundry and snack bar | $60,000 | 80 | | Radio Shack | Electronic accessories | $67,500 | 1,934 | | Barbizon | School of modelling | $69,500-$124,000 | 65 | |

**MR2100 Marketing II - Unit 8.  Retailing -    Depth and Breadth of Product Line**

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| **Depth and Breadth of Product Line** |
| ***Depth of product line*** means that the store carries a large assortment of each item, such as shoe stores that offer running shoes, dress shoes and children's shoes.  ***Breadth of product line*** refers to the variety of different items a store carries.   * *scrambled merchandising* refers to retailers that offer several unrelated product lines in a single store. * *hypermarkets* are very large retail outlets that have the goal of offering customers everything in one outlet. * *supercentres* are retailers that combine a typical merchandise store with a grocery store.   Chart |

**MR2100 Marketing II - Unit 8.  Retailing -    Differences in Store Concepts**

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| **Differences in Store Concepts** |
| |  |  |  |  | | --- | --- | --- | --- | |  | **Discount Store** | **SuperCentre** | **Hypermarket** | | Average size (in square feet) | 70,000 | 150,000 | 230,000 | | Number of employees | 200-300 | 300-350 | 400-600 | | Annual Sales ($ millions per store) | $10-$20 | $20-$50 | $75-$100 | | Gross margin | 18%-19% | 15%-16% | 7%-8% | | Number of items stocked | 60,000-80,000 | 100,000 | 60,000-70,000 | |

**MR2100 Marketing II - Unit 8.  Retailing -    Forms of Non-store Retailing**

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| **Forms of Non-store Retailing** |
| |  |  | | --- | --- | | **Automatic Vending** | * Non-store retailing that makes it possible to serve customers where stores cannot. * Maintenance and operating costs are high. * Small convenience products are available in vending machines. * Most of the vending machines now in use are soft drink machines. | | **Direct Mail & Catalogues** | * Marketing efficiency is improved through segmentation and targeting. * Customer value is enhanced by providing a fast and convenient means of making a purchase. * Canadian have increased the amount they spend on direct mail catalogues. * A typical household receives dozens of catalogues each year. | | **Television Home Shopping** | * TV home shopping is possible when consumers watch a shopping channel on which products are displayed; orders are placed over the phone. * Two popular home shopping programs, The Canadian Home Shopping Network and QVC, reach millions of Canadian households. * TV home shopping programs traditionally attract 40-50 year old females. * Limitations of TV shopping have been the lack of buyer-seller interaction and the inability of consumers to control the items they see. | | **Online Retailing** | * Online retailing allows consumers to search for, evaluate and order products through the Internet * The advantages of online retailing are:   + ability to comparison shop   + privacy   + variety * Online retailing is now worth in the billions of dollars | | **Telemarketing** | * Telemarketing involves using the telephone to interact with and sell directly to consumers. * As the use of telemarketing grows, consumer privacy has become a topic of discussion among consumers, the federal and provincial governments and business. | | **Direct Selling** | * Direct selling involves direct sales of goods and services to consumers through personal interactions and demonstrations in their home or office. * Industry sales are declining in Canada as retail chains such as Walmart begin to carry similar products at discount prices, and the increasing number of dual-career households reduces the number of potential buyers at home. * Many direct selling retailers are expanding into international markets to offset the decline in domestic sales. |   Chart |

**MR2100 Marketing II - Unit 8.  Retailing -    Retail Positioning Matrix**

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| **Retail Positioning Matrix** |
| The ***Retail Positioning Matrix*** positions retail outlets on two dimensions: *breadth of product line* and *value added*.   * *Breadth of product line* is the range of products sold through each outlet * *Value added* includes such elements as location, product reliability and/or prestige   Diagram  **Implication of the Retail Positioning Mix**     |  |  | | --- | --- | | **Types of Retailers** | **Keys to Success** | | ***High Value-added/Broad Line (The Bay)*** | * Creative Merchandising image - excitement, leader * High price/high margin * Store ambience | | ***Low Value-added/Broad Line (Kmart)*** | * Economies of scale - volume * Image - "good guys", convenience * Low price/low margin * Low or self-service * Efficiency of operations | | ***High value-added/Narrow Line (Birk's)*** | * Unique, high quality products * Image - exclusive specialty * High price/high margin * Personal service/advice * Expensive presentation | | ***Low Value-added/Narrow Line (Kinney)*** | * Specialty mass merchandising * Image - value conscious, consistent * Low price, loss leaders * Little or self-service * "Cookie-cutter" stores |   **Key to Retail Positioning**  For a store to be successfully positioned, it must have an identity which has some advantages over competitors, and at the same time are *recognized* and *valued* by consumers. |

**MR2100 Marketing II - Unit 8.  Retailing -    The Retailing Mix**

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| **The Retailing Mix** |
| The retailing mix includes:   1. Goods and services 2. Physical distribution 3. Communications tactics chosen by store   Diagram |

**MR2100 Marketing II - Unit 8.  Retailing -    Retailing Pricing Terminology**

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| **Retailing Pricing Terminology** |
| ***Markup*** refers to how much should be added to the cost the retailer paid for the product to reach a final selling price.  ***Original markup*** is the difference between the retailer's original cost and initial selling price.  The ***maintained markup*** is the difference between the final selling price and retailer cost and is also the gross margin.  ***Markdown*** occurs when the product does not sell a the original price and an adjustment is necessary.  ***Shrinkage*** is theft of merchandise by customers and employees.  ***Off-price retailing*** involves selling brand name merchandise at lower than regular prices.  The difference between the off-price retailer and a discount store is that off-price merchandise is bought by the retailer from manufacturers' excess inventory at prices below wholesale prices. |

**MR2100 Marketing II - Unit 8.  Retailing -    Store Locations**

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| **Store Locations** |
| Mall  **Types of Store Locations**   |  |  | | --- | --- | | ***Central Business District (CBD)*** | oldest retail setting - the downtown area | | ***Regional Shopping Centres*** | consists of 50-100 stores that contain two or three *anchor stores* - well known national or regional stores such as Sears or The Bay | | ***Community Shopping Centres*** | has one primary store and 20-40 smaller outlets | | ***Strip Location*** | a cluster of stores that serve people within a 10 minute drive - gas station, hardware, laundry, grocery, pharmacy are typical here. | | ***Power centre*** | huge shopping strip with multiple anchor stores. They are seen as having convenient locations with national anchors. | |

**MR2100 Marketing II - Unit 8.  Retailing -    The Wheel of Retailing**

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| **The Wheel of Retailing** |
| Diagram |

**MR2100 Marketing II - Unit 8.  Retailing -    The Retail Life Cycle**

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| **The Retail Life Cycle** |
| |  |  | | --- | --- | | ***Early Growth*** | The start of a retail outlet usually different from existing competition. Market share rises gradually though profits may be low because of startup | | ***Accelerated Development*** | Both market share and profit achieve their greatest growth rates. More outlets established as company looks at distribution element of retailing mix. Some competition enters field. | | ***Maturity*** | Battle for market share as some retailers drop out. New retail forms enter this area, price discounting occurs. | | ***Decline*** | Market share and profit fall rapidly. Need to find new ways to bring in customers. |   Graph |

**MR2100 Marketing II - Unit 8.  Retailing -    Future Changes in Retailing**

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| **Future Changes in Retailing** |
| **Multichannel Retailing**  Retailers in the future will likely combine many of the formats discussed in this unit to offer customers a wider variety of options.  They will likely integrate traditional store formats with non-traditional such as catalogues, television, kiosks and online retailing.  This will make shopping easier and more convenient for the customer and make products available to a broader customer base.  **Impact of Technology**  The way consumers pay for products will likely change in the future.  Just as debit and credit cards have changed retailing, so will the smart card.  These cards will hold information about bank accounts and available funds and personal information such as airline seat preferences and clothing sizes.  This will mean faster service for the consumer.  It is already popular in Europe.  **Changing Shopping Behaviour**  Shoppers are changing the face of retailing.  They are demanding better hours, more service, better quality and prices.  They are becoming precision shoppers - shopping in less stores but with more precise information on what they want.  **Importance of Brands**  Many retailers may consider co-branding such as Wal-mart and McDonald's.  Starbucks Coffee has outlets in the Chapters stores. Retailers are hoping that consumers will appreciate the convenience of two or three brands in one location. |
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